



# CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Public Hearing to Introduce Ordinance Amending Chapter 13.20, "Electrical Service," by Adding New Schedule CSS (California Solar Initiative Surcharge) to Become Effective December 1, 2007 (EUD)

**MEETING DATE:** September 19, 2007

**PREPARED BY:** Electric Utility Director

**RECOMMENDED ACTION:** Conduct a Public Hearing to introduce ordinance amending Chapter 13.20, "Electrical Service," by adding new Schedule CSS (California Solar Initiative Surcharge). It is recommended that implementation be effective December 1, 2007. This surcharge will serve as the funding mechanism for the state-mandated solar program.

**BACKGROUND INFORMATION:** California Senate Bill 1 (SB1), known as the California Solar Initiative (CSI), was chaptered into state law in August 2006. The CSI requires all electric Service providers in the state to establish a rebate program for the installation of photovoltaic/solar systems on residential, commercial and industrial customer sites. The CSI must begin no later than January 1, 2008 and is mandated for ten consecutive years. Rebates are required to be no less than \$2.80 per watt in year one, then dropping by 7% each year thereafter.

The state-wide municipal utility share of the CSI for ten years is \$784 million, as established by the legislation. Lodi's municipal utility percentage share of the CSI is 0.79%, which is approximately \$6 million over ten years, based on energy sales during fiscal year 2005-2006. Lodi's obligation to provide rebates for the CSI is limited to this amount. The proposed Lodi Solar Rebate Pilot Program would limit expenditures for this program at \$600,000 per year. This would require funding at approximately one-eighth cent per kilowatt-hour of retail Sales (\$600,000.00 ÷ 480,000,000 kWh = \$0.00125).

Possible sources of funding include (i) changing the base rates, (ii) the use of present and future cash reserves (i.e. no change in rates), (iii) applying public benefit dollars or (iv) implement a surcharge on all kWh sold.

- Increasing Lodi's base rate by \$0.00125 could fall short of achieving the required \$600,000 per year due to discounted rate schedules and would be a permanent solution to a temporary mandate.
- Current reserves and future revenues could be used instead of a surcharge or rate increase. While this would avoid any increase in rates, it would hinder EUD's ability to meet the goals set forth by the City Council regarding the electric utility's reserve.
- Some other publicly owned utilities (POU) are using public benefit dollars, in part or whole, to fund their solar rebate program. While these agencies have existing solar programs in place, which they are continuing, Lodi does not currently have Public Benefit funds allocated to a solar program and the legislation does not allow for a reduction in the dollars currently expended on public benefit programs. As a result, there approach is not feasible for Lodi unless it increases the level of Public Benefit expenditures, which would result in lower cash reserves.
- The CSI allows utilities to fund their solar rebate program via a rate surcharge. Several POUs have already adopted a surcharge for the CSI (Redding, Gridley, Shasta, Lassen, Merced and Truckee) and others are considering the same.

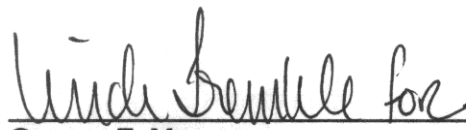
APPROVED:

Blair King, City Manager

It is proposed that a flat per kWh rate surcharge, initially \$0.00125, be established by EUD to fund the mandated program. For an average residential customer paying about \$117 per month for electricity, the proposed surcharge would add about 80 cents to the bill.

**FISCAL IMPACT:** The Electric Utility will spend up to \$600,000 per calendar year to implement the state-mandated solar rebate program in Lodi. Electric Utility is proposing a rate surcharge to fund this state-mandated program; therefore, there is no **fiscal impact**.

**FUNDING:** Pending Council approval, a Public Benefits account will be established for the Solar Rebate Program.

  
\_\_\_\_\_  
George F. Morrow,  
Electric Utility Director

Prepared By: Sondra Huff, Sr. Rate Analyst



# CITY OF LODI

## ELECTRIC UTILITY DEPARTMENT

### SCHEDULE CSS

#### California Solar Initiative Surcharge

#### **APPLICABILITY:**

This schedule is applicable to all electric customers served by the City of Lodi. Each customer shall pay the applicable rate(s) plus the California Solar Initiative Surcharge (CSS) for each kilowatt-hour (kWh) delivered to the customer.

The CSS shall fund incentives for customers participating in the Lodi Solar Rebate Pilot Program. California Senate Bill 1 (SB 1) mandates that all electric utilities offer a solar photovoltaic program that provides incentives to support the development and installation of solar systems throughout their given service territory. Based upon SB 1 funding requirements, Lodi Electric Utility shall make available approximately \$600,000 annually between the years 2008 – 2017.

#### **RATES:**

Effective on all bills rendered on or after January 1, 2008 until December 31, 2017, a surcharge per kilowatt-hour (kWh) will be applied to all kWh sold. The CSS shall be applied to all kWh sold and will be non-discounted.

The surcharge amount of \$0.00125 will be applied to all kWh consumed by each customer in all rate classes.

All funds collected under this surcharge will be placed in an account solely for the purpose of implementing the Lodi Solar Rebate Pilot Program.

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF  
LODI AMENDING LODI MUNICIPAL CODE, TITLE 13 –  
PUBLIC SERVICES ADDING SECTION 13.20.185 SECTION  
CSS – CALIFORNIA SOLAR INITIATIVE SURCHARGE

=====

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LODI AS FOLLOWS:

SECTION 1. Lodi Municipal Code Title 13 – Public Services – is hereby amended by adding Section 13.20.185, “Schedule CSS - California Solar Initiative Surcharge,” to read as follows:

**APPLICABILITY:**

This schedule is applicable to all electric customers served by the City of Lodi. Each customer shall pay the applicable rate(s) plus the California Solar Initiative Surcharge (CSS) for each kilowatt-hour (kWh) delivered to the customer.

The CSS shall fund incentives for customers participating in the Lodi Solar Rebate Pilot Program. California Senate Bill 1 (SB 1) mandates that all electric utilities offer a solar photovoltaic program that provides incentives to support the development and installation of solar systems throughout their given service territory. Based upon SB 1 funding requirements, Lodi Electric Utility shall make available approximately \$600,000 annually between the years 2008 – 2017.

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Effective on all bills rendered on or after January 1, 2008 until December 31, 2017, a surcharge per kilowatt-hour (kWh) will be applied to all kWh sold. The CSS shall be applied to all kWh sold and will be non-discounted.

The surcharge amount of \$0.00125 will be applied to all kWh consumed by each customer in all rate classes.

All funds collected under this surcharge will be placed in an account solely for the purpose of implementing the Lodi Solar Rebate Pilot Program.

SECTION 2. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

SECTION 3. No Mandatory Duty of Care. This ordinance is not intended to and shall not be construed or given effect in a manner which imposes upon the City, or any officer or employee thereof, a mandatory duty of care towards persons or property within the City or outside of the City so as to provide a basis of civil liability for damages, except as otherwise imposed by law.

SECTION 4. Severability. If any provision of this ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the ordinance which can be given effect without the invalid provision or application. To this end, the provisions of this ordinance are severable. The City Council hereby declares that it would have adopted this ordinance irrespective of the invalidity of any particular portion thereof.

SECTION 5. This ordinance shall be published one time in the "Lodi News-Sentinel," a daily newspaper of general circulation printed and published in the City of Lodi, and shall take effect 30 days from and after its passage and approval.

Approved this \_\_\_\_ day of \_\_\_\_\_, 2007

\_\_\_\_\_  
BOB JOHNSON  
Mayor

Attest:

RANDI JOHL  
City Clerk  
=====

State of California  
County of San Joaquin, ss.

I, Randi Johl, City Clerk of the City of Lodi, do hereby certify that Ordinance No. \_\_\_\_ was introduced at a regular meeting of the City Council of the City of Lodi held September 19, 2007, and was thereafter passed, adopted and ordered to print at a regular meeting of said Council held \_\_\_\_\_, 2007, by the following vote:

AYES: COUNCIL MEMBERS –

NOES; COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

I further certify that Ordinance No. \_\_\_\_ was approved and signed by the Mayor on the date of its passage and the same has been published pursuant to law.

\_\_\_\_\_  
RANDI JOHL  
City Clerk

Approved as to Form:

\_\_\_\_\_  
D. STEPHEN SCHWABAUER  
City Attorney



*Please immediately confirm receipt  
of this fax by calling 333-6702*

CITY OF LODI  
P. O. BOX 3006  
LODI, CALIFORNIA 95241-1910

**ADVERTISING INSTRUCTIONS**

**SUBJECT**

PUBLIC HEARING TO CONSIDER INTRODUCTION OF AN ORDINANCE  
AMENDING CHAPTER 13.20, "ELECTRICAL SERVICE," BY ADDING  
NEW SCHEDULE CSS (CALIFORNIA SOLAR INITIATIVE SURCHARGE)  
TO BECOME EFFECTIVE DECEMBER 1, 2007

**PUBLISH DATE:** SATURDAY, SEPTEMBER 8, 2007

**LEGAL AD**

**TEAR SHEETS WANTED** Three (3) please

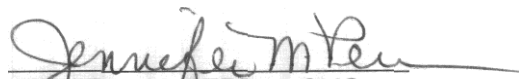
**SEND AFFIDAVIT AND BILL TO:**

RANDI JOHL, CITY CLERK  
City of Lodi  
P.O. Box 3006  
Lodi, CA 95241-1910

**DATED:** THURSDAY, SEPTEMBER 6, 2007

**ORDERED BY:**

RANDI JOHL  
CITY CLERK

  
JENNIFER M. PERRIN, CMC  
DEPUTY CITY CLERK

\_\_\_\_\_  
DANA R. CHAPMAN  
ADMINISTRATIVE CLERK

**Verify Appearance of this Legal in the Newspaper – Copy to File**

LNS	Faxed to the Sentinel at 369-1084 at <u>12:30</u> (time) on <u>9/6/07</u> (date) <u>2</u> (pages)
	Phoned to confirm receipt of all pages at _____ (time) _____ JLT _____ DRC _____ JMP (initials)



## **DECLARATION OF POSTING**

**PUBLIC HEARING TO CONSIDER INTRODUCTION OF AN ORDINANCE  
AMENDING CHAPTER 13.20, "ELECTRICAL SERVICE," BY ADDING NEW  
SCHEDULE CSS (CALIFORNIA SOLAR INITIATIVE SURCHARGE)  
TO BECOME EFFECTIVE DECEMBER 1, 2007**

On Friday, September 7, 2007, in the City of Lodi, San Joaquin County, California, a Notice of Public Hearing to consider introduction of an ordinance amending Chapter 13.20, "Electrical Service," by adding new Schedule CSS (California Solar Initiative Surcharge) to become effective December 1, 2007 (attached and marked as Exhibit A), was posted at the following locations:

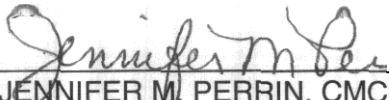
Lodi Public Library  
Lodi City Clerk's Office  
Lodi City Hall Lobby  
Lodi Carnegie Forum

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 7, 2007, at Lodi, California.

ORDERED BY:

**RANDI JOHL  
CITY CLERK**

  
\_\_\_\_\_  
JENNIFER M. PERRIN, CMC  
DEPUTY CITY CLERK

\_\_\_\_\_  
DANA R. CHAPMAN  
ADMINISTRATIVE CLERK



## CITY OF LODI

Carnegie Forum  
305 West Pine Street, Lodi

## NOTICE OF PUBLIC HEARING

Date: September 19, 2007

Time: 7:00 p.m.

### NOTICE OF PUBLIC HEARING

**NOTICE IS HEREBY GIVEN** that on **Wednesday, September 19, 2007**, at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:

- a) Introduction of an ordinance amending Chapter 13.20, "Electrical Service," by adding new Schedule CSS (California Solar Initiative Surcharge) to become effective December 1, 2007

Information regarding this item may be obtained in the Electric Utility Department, 1331 South Ham Lane, Lodi, (209) 333-6762. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 West Pine Street, 2<sup>nd</sup> Floor, Lodi, 95240, at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk, 221 West Pine Street, at or prior to the close of the public hearing.

By Order of the Lodi City Council:

A stylized signature of Randi Johl, consisting of a large, bold, blocky letter 'R' followed by a series of loops and a horizontal stroke.

Randi Johl

City Clerk

**Dated:** September 5, 2007

Approved as to form:

A signature of D. Stephen Schwabauer, featuring a large, bold, blocky letter 'D' followed by a series of loops and a horizontal stroke.

D. Stephen Schwabauer  
City Attorney





## **Electric Utility Department**

# **California Solar Initiative Surcharge**

**City Council  
September 19, 2006**

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## Background

### **California Senate Bill ■ approved August, 2006**

- Requires all electric utilities to establish solar rebate program by January, 2008
- Minimum rebate of \$2.80 per watt declining by 7% annually for ten years
- Rebate “cap” of \$784 million by publicly owned utilities
- Lodi share is –\$6 million or about \$600K per year



# Funding Options

1. Use of present and future cash reserves (no rate change)
2. Use state mandated Public Benefit funds in excess of prior expenditure levels
3. Increasing base electric rates
4. Establishment of a surcharge for specific purpose of funding Solar Rebate Program



## 1. Use Cash Reserves

- Program could require \$600K per year in cost
- Would negatively impact goal of reaching target reserve level (\$12.9M) by 2010
- May adversely affect perception of utility's financial condition by ratings agencies



## 2. Use Public Benefit Funds

- Presently, EUD required to spend 2.85% annually for “public benefit” (PB) programs
- SBI allows utilities to use PB dollars to pay solar rebates but utility may not reduce PB expenditure levels for other items below pre-SBI levels
- Since Lodi’s PB expenditures do not currently include solar costs, this area will not be source of money for solar rebates.



### 3. Increase Base Electric Rates

- Could be a permanent fix to a temporary program
- Feasible from a technical standpoint
- Lacks visibility of that reason for rate/cost increase is due to state mandate



## 4. Establish Temporary Surcharge

- Easy to match term of surcharge with term of program
- Provides visibility to customers regarding reason for new cost (i.e. state mandate)
- A number of municipal utilities have approved surcharges for solar funding
- Could be set at fixed level or to vary monthly/quarterly/annually based on actual costs



## Recommendation

- A California Solar Initiatives Surcharge (CSS) be established effective 12/1/07
- Fixed rate of \$.00125 per kilowatthour (Impact of 81¢ on average monthly residential bill of \$1.17)
- Rate evaluated periodically if significant overcollection occurring
- Funds placed in special account for SBI solar rebate program use only
- Sunset in ten (10) years.





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**Questions?**